

## Message Text

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PAGE 01 LA PAZ 03783 122332Z  
ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 763

C O N F I D E N T I A L LA PAZ 3783

EXDIS

E.O. 11652: GDS  
TAGS: SNAR EAID BL  
SUBJECT: REGIONAL DEVELOPMENT LOAN FOR YUNGAS AND CHAPARE

REF: STATE 119935

1. THE REFERENCED CABLE INDICATEDS SOME MISUNDERSTANDING BETWEEN THIS MISSION AND THE DEPARTMENT AND AID ABOUT THIS LOAN IN RELATION TO OUR NARCOTICS PROGRAM--WHICH I HOPE THIS EXPLANATION HELPS STRAIGHTEN OUT.

2. THERE IS NOW QUESTION THAT THIS EMBASSY IS WILLING TO PUSH IMPLEMENTATION OF THE BAN ON NEW COCA PLANTINGS, BUT WE WILL GET NOWHERE WITH THE CURRENT GOVERNMENT. SINCE PEREDA LEFT THE MINISTRY OF INTERIOR IN DECEMBER, THE PROGRAM FOR LIMITING COCA PLANTING HAS BEEN DEAD IN THE WATER. BANZER'S CURRENT MINISTER OF INTERIOR HAS NO INTEREST IN ANY ASPECT OF NARCOTICS PROGRAMS, OTHER THAN PROTECTING HIS OWN RELATIVES FROM PROSECUTION. WE ARE STYMIED UNTIL WE GET A NEW GOVERNMENT.

3. AN ELECTED GOVERNMENT, SCHEDULED TO TAKE OFFICE AUGUST 9, WILL ALMOST CERTAINLY HAVE A MUCH STRONGER INTEREST IN A MEANINGFUL NARCOTICS PROGRAM, INCLUDING LIMITING ILLEGAL COCA PRODUCTION. I BELIEVE ANY OF THE MAJOR CANDIDATES WOULD, AS PRESIDENT, BE ABLE TO PROVIDE US SUCH A GENERAL ASSURANCE AT AN  
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EARLY POINT.

4. THERE IS, HOWEVER, NO POSSIBILITY THAT THE ELECTED PRESIDENT WILL BE ABLE, DURING HIS FIRST 50 DAYS IN OFFICE, TO SPECIFY HIS CONCRETE STRATEGY PRIOR TO SEPTEMBER30, THE DATE BY WHICH WE MUST SIGN ALL FY78 AID LOANS.

5. WHETHER OR NOT WE PROCEED WITH THE YUNGAS/CHAPARE LOAN IN FY78, IT SHOULD NOT HAVE SPECIFIC CONDITIONS PRECEDENT RELATING TO COCA PRODUCTION AND NARCOTICS ENFORCEMENT. OBVIOUSLY, WE SHOULD NOT GO AHEAD ON THE REGIONAL DEVELOPMENT LOAN UNLESS WE ARE CONFIDENT THE PARALLEL ENFORCEMENT EFFORT WILL PROCEED. BUT THE CONDITION-PRECEDENT APPROACH WILL NOT PROVIDE THAT CONFIDENCE AND IS A POLITICALLY DISASTROUS APPROACH THAT WILL NOT WORK. WE CANNOT BUY BOLIVIAN ENFORCEMENT OF A COCA PRODUCTION LIMITATION--AS THE ILL-FATED KISSINGER INITIATIVE ESTABLISHED. THE BOLIVIANS HAVE TO DO THIS UNDER THEIR OWN STEAM OR NOT AT ALL. THE CONDITION-PRECEDENT APPROACH COULD FATALLY WEAKEN HOME-GROWN RESOLVE BOTH IN THE EYES OF THE GOB AND THE BOLIVIAN PUBLIC.

6. THIS STATE OF AFFAIRS LEAVES US ONLY TWO OPTIONS WITH REGARD TO THE YUNGAS/CHAPARE LOAN.

A. WAIT UNTIL FY79 AND SIGN THE LOAN AFTER WE HAVE WORKED OUT WITH THE NEW GOVERNMENT A NARCOTICS STRATEGY, INCLUDING ENFORCEMENT OF A BAN ON ILLEGAL COCA PRODUCTION.

B. SIGN THE LOAN IN THE LAST MONTH OF FY78 ON THE BASIS OF A GENERAL ASSURANCE FROM THE NEWLY ELECTED PRESIDENT THAT HIS GOVERNMENT WILL DEVELOP SUCH A STRATEGY AS A PRIORITY ITEM, IN COLLABORATION WITH US.

7. WHILE I CONSIDER THE SECOND ALTERNATIVE TO BE AN  
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ACCEPTABLE RISK, BY PREFERENCE HAS ALWAYS BEEN THE FIRST IF THE YUNGAS/CHAPARE LOAN CAN BE FUNDED IN FY79 IN ADDITION TO OUR OTHER PLANNED PROJECT LOANS.

8. THE ORIGIN OF THE SUGGESTION TO ADVANCE THIS LOAN TO FY78 WAS THE INDICATION FROM WASHINGTON THAT THIS LOAN COULD BE FUNDED IN FY78, BUT MAYBE NOT IN FY79. ON THAT BASIS, I WAS WILLING TO TRY TO SPEED UP PROJECT PREPARATION TO ASSURE THAT WE DO NOT LOSE 15 MONTHS' TIME (TO FY80) IN LAUNCHING THIS PROJECT, WHICH EVERYONE AGREES IS AN IMPORTANT PART OF A SENSIBLE LONG-TERM NARCOTICS STRATEGY FOR BOLIVIA.

9. APART FROM THIS FACTOR, THERE IS JUST ONE SIGNIFICANT ADVANTAGE OF PROCEEDING IN FY78--THE POLITICAL ONE OF AN EARLY DEMONSTRATION OF US-GOB SUPPORT FOR THE ECONOMIC FUTURE OF THE YUNGAS AND CHAPARE REGIONS, WHICH, IN TURN, WILL MAKE ENFORCEMENT OF THE NEW PRODUCTION BAN EASIER. OTHERWISE, THE ADVANTAGES POINT TO FY79 RATHER THAN FY78. THE ESSENTIAL RELATIONSHIP TO THE PARALLEL ENFORCEMENT EFFORT FALLS EASILY INTO PLACE. THE PROJECT CAN BE BETTER PREPARED. IDB PLANS FOR THE CHAPARE WILL BE CLEARER, SO THAT OUR PROJECT CAN BETTER MESH WITH THIS PROGRAM.

10. THERE IS A STRONG DEVELOPMENT AND POLITICAL CASE FOR PROCEEDING WITH OUR PLANNED PROGRAM LEVEL OF ABOUT \$50 MILLION IN AID PROJECTS FOR BOLIVIA IN FY78. BUT IF WE CAN COUNT ON DOING THE YUNGAS/CHAPARE LOAN IN FY79 (ALTERNATIVE A IN PARA 6 ABOVE) I WOULD PREFER TO USE THIS PROGRAM LEVEL AS FOLLOWS:

PROJECTS ALREADY AUTHORIZED	IN MILLIONS
VILLAGE DEVELOPMENT	\$15.3
RURAL ROADS II	13.0
SUB-TOTAL	28.3

PROPOSED PROJECT  
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RURAL SANITATION	15.0
SUB TOTAL	43.3

BILATERAL GRANTS	6.5
TOTAL	\$49.8

THE ADDITIONAL \$5 MILLION IN THE RURAL SANITATION LOAN WOULD BE TO COVER SOUTHERN CHUISACA AND TARIJA AND ADD AN ENVIRONMENTAL SANITATION ELEMENT.

11. ALTERNATIVELY, I WOULD BE WILLING, IF THE DEPARTMENT AND AID PREFER, TO PROCEED WITH THE YUNGAS/CHAPARE PROJECT IN FY78, AFTER ELECTIONS, ON THE BASIS OF GENERAL ASSURANCES FROM THE NEW PRESIDENT REGARDING EARLY DEVELOPMENT AND IMPLEMENTATION OF A NARCOTICS STRATEGY, INCLUDING LIMITATION OF COCA PRODUCTION. THIS WOULD HAVE TO BE A CALCULATED RISK, SINCE MAKING SPECIFIC NARCOTICS ENFORCEMENT MEASURES A CONDITION TO A US DEVELOPMENT LOAN WOULD DEFEAT OUR LONG-TERM OBJECTIVES OF GETTING THE BOLIVIANS COMMITTED TO A SUSTAINED ENFORCEMENT EFFORT ON THE BASIS OF THEIR OWN INTEREST. WE NEED A DECISION AS SOON AS POSSIBLE, SINCE SEVERAL TECHNICIANS ARE SCHEDULED TO ARRIVE IN LA PAZ AS EARLY AS NEXT WEEK TO ASSIST IN PROJECT PREPARATION. IF THE LOAN IS TO BE POSTPONED UNTIL FY79, THEIR TRAVEL SHOULD BE DEFERRED.

12. REGARDING PARA 6 OF REFTTEL, WHAT IS NEEDED IS A COMPLETE ARTICULATION OF A REVISED, REALISTIC NARCOTICS STRATEGY FOR BOLIVIA. WE HAVE THIS AMBITIOUS PROJECT UNDER WAY HERE. OUR OBJECTIVE IN THIS IS TO HAVE THIS BASIS FOR DISCUSSIONS AND NEGOTIATIONS WITH THE NEW GOVERNMENT. I DOUBT THE UTILITY OF EVALUATING THIS SUMMER BANZER GOVERNMENT EFFORT THAT IS DEAD IN THE WATER. OUT  
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OBJECTIVE HAS TO BE TO GET READY TO START A NEW GOVERNMENT IN  
THE RIGHT DIRECTION. BY JUNE 15 WE WILL HAVE OUR PROPOSALS ON  
STRATEGY READY FOR WASHINGTON CONSIDERATION (BEARING IN MIND  
THAT THIS IS A SET OF NEGOTIATING OBJECTIVES WITH A NEW GOVERN-  
MENT, NOT A US RECIPE).  
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